

# **Medicare-Approved Prescription Drug Discount Cards: Frequently Asked Questions and Answers for Virginians**

## **1. What is a Medicare-approved drug discount card?**

Prescription drug discount cards allow cardholders to purchase prescriptions at a price that may be less than the retail price of the drug. Private companies (including pharmaceutical manufacturers and drug store chains) as well as various organizations have for several years issued such cards, which may or may not have a fee, to eligible individuals. Medicare-approved drug discount cards are similar. The key difference is that the card plan and card sponsor must be approved by Medicare, and a Medicare-approved drug discount card is therefore subject to additional rules and regulations. Another difference is that beneficiaries may have only one Medicare-approved drug discount card (there are no limits on the number of non-Medicare-approved drug discount cards).

Medicare-approved drug discount cards were established in the Medicare Modernization Act, signed into law in December of 2003, which also established the Medicare prescription drug benefit (Medicare Part D). As Part D is not scheduled to begin until January 1, 2006, these cards are intended to provide Medicare beneficiaries with some more immediate assistance in paying for prescription drugs.

Beneficiaries can sign up for a Medicare-approved drug discount card at any time beginning on May 3, 2004. The cards can be used from June 1, 2004 through December 31, 2005.

## **2. Who is eligible to enroll in a Medicare-approved drug discount card?**

Almost everyone who is on Medicare Part A, Medicare Part B, or both, or entitled to Medicare Part A can enroll in a Medicare-approved drug discount card. There is only one exception: Individuals who have outpatient prescription drug coverage through Medicaid or through a Medicaid 1115-waiver program cannot get a Medicare-approved drug discount card. Individuals who are eligible for such benefits through Medicaid but are not now enrolled should consider applying for Medicaid.

## **3. What is the benefit of a Medicare-approved drug discount card?**

A beneficiary can use his/her Medicare-approved drug discount card to buy covered prescription drugs from pharmacies or mail order suppliers that participate in the card sponsor's network. Prices for the drugs covered by the Medicare-approved drug discount cards are negotiated by each card sponsor and are subject to change. These prices may or may not provide discounts off the retail price; CMS estimates the discounts will generally be 10-25% off the retail purchase price. The amount of any discount will vary according to the card the beneficiary selects, the drugs the beneficiary purchases, and the prices charged by the pharmacy where the beneficiary buys them. (Card sponsors must ensure that at the point-of-sale, a beneficiary is told of any applicable generic and the prices of both the prescribed brand name drug and the comparable generic. Pharmacies and mail order suppliers must also tell a beneficiary if the retail price of a prescribed drug is cheaper than the card sponsor's price.)

A significant benefit of the card for some low-income beneficiaries is a \$600 transitional assistance credit that can be obtained in 2004 and again in 2005 and used towards the purchase of prescription drugs. Beneficiaries who have the \$600 credit pay not the card sponsor's price on the formulary but a percentage (5 or 10 percent, depending upon their income) of that cost for each prescription. The rest of that cost of the prescription is paid with the \$600 in transitional assistance until the credit is used. When the credit has been completely spent, the card holder is to pay the full card sponsor's price on the formulary, although card sponsors are allowed to offer additional discounts to people who have the \$600 credit.

Card sponsors are also permitted to offer discounts on over-the-counter medications. The \$600 in transitional assistance, however, may not be applied to over-the-counter drugs, even if the card sponsor offers a discounted price on them. Card sponsors are allowed to offer additional services and durable medical equipment to beneficiaries, but only if these additional services or equipment are related to the drugs on which they offer discounted prices.

#### **4. What is the cost to the beneficiary of the Medicare-approved drug discount card?**

Beneficiaries may pay an annual enrollment fee of up to \$30.00 to enroll in 2004 and another annual fee of up to \$30.00 in 2005 directly to the sponsor of the card they use. Some cards offer lower annual enrollment fees, and some charge no annual enrollment fees.

#### **5. How can beneficiaries learn more about individual cards and their features?**

Card sponsors may advertise their cards to the public in a variety of ways and may mail packets of information on their plans directly to Medicare beneficiaries. Card sponsors may also hold seminars to market their plans to beneficiaries. Each card sponsor must post information about its card on a Web site and operate a call center in order to provide more detailed information about its plan to beneficiaries.

Once a card sponsor's plan is fully operational, but not before May 3, 2004, each card sponsor's Web site and call center must provide information about the drugs the card sponsor covers at a discount, the current maximum prices of the drugs, the network pharmacies, and the availability and prices of applicable generics. Once the program begins in June, card sponsors must also inform low-income beneficiaries who have qualified for transitional assistance the amount of the \$600 credit remaining. The information on the sponsor's Web site must be consistent with what is on the Medicare.gov Web site.

In addition to the sponsors' Web sites, CMS will also provide information about the cards through its Web site and through 1-800-MEDICARE. Any changes to the card plan must be submitted to CMS weekly so that CMS can update its Web site every Sunday night. Beneficiaries and their caregivers will be regularly able to examine their options with the Prescription Drug Assistance Program (PDAP) on the Medicare web page; PDAP will enable beneficiaries to find what network pharmacy offers the lowest price for a prescription each time they get a prescription.

#### **6. Does the beneficiary's choice of card matter?**

Yes. The value of a card may vary tremendously based upon the individual beneficiary's prescriptions. Which of the beneficiary's prescriptions drugs are discounted and by how much will vary from one discount drug card to another and possibly from one network pharmacy to another. The card offering the most value to one beneficiary will not necessarily be the best card for another beneficiary.

#### **7. What factors should a beneficiary consider when selecting a Medicare-approved drug discount card?**

There are at least four factors that beneficiaries should evaluate when choosing from among discount cards that are offered to them.

- What pharmacies participate in the card: Are the discounts offered at pharmacies to which the beneficiary has access and which the beneficiary trusts? Is there a mail order option?
- What is the service area: Beneficiaries who are seasonal residents (i.e., "snowbirds") or frequent travelers should consider a national, rather than a regional card. While CMS has indicated that "snowbirds" can enroll and disenroll as they move to a different part of the country, a new annual enrollment fee would have to be paid for each new enrollment.

- Drugs with a discounted price: Are the drugs that the beneficiary is likely to use currently covered by the discounts offered by the card?
- How much of a discount: What are the prices and discounts on the specific drugs that the beneficiary regularly takes?

When choosing a card, beneficiaries must remember that the drugs on the card sponsor's formulary, as well as the prices, may change.

## **8. Can a beneficiary enroll in more than one Medicare-approved drug discount card?**

No. A beneficiary may enroll in only one Medicare-approved drug discount card at any given time. However, beneficiaries can also enroll in other drug discount cards that are not Medicare-approved drug discount cards.

## **9. What is a covered drug?**

Drugs that are eligible for discounts through the Medicare-approved drug discount card program are called "covered" drugs. They are the medications most commonly used by Medicare beneficiaries and are divided into 209 types or categories of medication, according to what the drug does, such as antidepressants.

## **10. What is a formulary?**

Under the Medicare-approved drug discount card program, a formulary is simply a list of the covered medications on which a card sponsor may choose to offer a discount. Keep in mind the prices of the drugs on the card sponsor's formulary do not have to be discounted prices.

## **11. Why is it important for beneficiaries to consider formularies when they select a Medicare-approved drug discount card?**

Medicare-approved drug discount card sponsors do not need to offer discounted prices on all drugs. Most card sponsors use a formulary, or list, to identify the drugs on which they **may** offer discounts. It is important that beneficiaries review the different lists of discounted drugs before selecting a card to make sure the card they pick currently offers the discounts they want. However, the card sponsor can change what drugs are on the formulary as often as every week; the prices can also change weekly. Information about the card sponsors' formularies and prices will be available online and through 1-800-MEDICARE and the card sponsors' call centers. Changes will be updated weekly.

## **12. Are there prescription drugs that must be on a card sponsor's formulary?**

Broadly speaking, yes. CMS has identified 209 types of drugs most frequently used by Medicare beneficiaries. Medicare-approved drug discount card sponsors are required to have at least one drug in each of these 209 categories on its formulary. Additionally, card sponsors must have on its formulary a minimum of one generic drug in at least 115 of those 209 categories.

## **13. How can a beneficiary find out which drugs are in the formulary of each Medicare-approved drug discount card?**

Card sponsors are required to post their formulary on their Web sites and to provide this information to beneficiaries and their caregivers by phone through their call centers. PDAP contains a searchable data base with information about the maximum price for every covered drug charged by every card sponsor.

#### **14. Are there any drugs that are excluded from a card sponsor's formulary?**

Yes. Prescription drugs that are covered by Medicare Part A or Medicare Part B are not covered by these discount cards. In addition, certain drugs may not be covered by an approved discount card. These are:

- weight-loss and weight-gain drugs,
- drugs for symptomatic relief of coughs and colds,
- prescription vitamins, with the exception of prenatal vitamins and fluoride,
- over-the-counter drugs, with the exception of insulin,
- drugs to promote hair growth,
- fertility drugs,
- cosmetic drugs,
- drugs that must be monitored by testing services that only the manufacturer provides, such as certain anti-psychotic medications,
- barbituates (drugs used to control seizures or used for sedation or anesthesia such as phenobarital or Nembutal®), and
- benzodiazapines, often referred to as minor tranquilizers, used to treat anxiety or insomnia (such as Xanax®, Valium® and Ativan®).

#### **15. Can the drugs and prices on a formulary be changed by card sponsors?**

Yes. A card sponsor can change the discounted drugs listed in the formulary and/or the prices. If a card sponsor changes either the drugs or the prices, it must notify CMS and post the changed drug list and/or prices on its Web site. CMS will also update its Web site to post changes in drugs and prices every week. Upon request, card sponsor call center operators will tell beneficiaries about current prices; a card sponsor does not have to give beneficiaries any notice prior to changing the formulary or the prices.

#### **16. Will the discounted prices negotiated by a card sponsor be the same at all contracted pharmacies and mail order suppliers?**

No. A card sponsor may negotiate different prices with each of its network pharmacies. A different price may also be charged for the same prescriptions filled by mail order.

#### **17. When can a beneficiary switch to a different Medicare-approved drug discount card?**

A beneficiary may disenroll from a Medicare-approved drug discount card at any time. In most cases, however, beneficiaries may not change from one discount card program to another until the Annual Coordinated Election Period for 2005 (November 15, 2004-December 31, 2004) with the new card effective January 1, 2005.

Under limited circumstances, beneficiaries may switch to a different Medicare-approved drug discount card at other times.

- A beneficiary joining or leaving a Medicare Advantage plan will be automatically disenrolled from the plan's discount card and the beneficiary will be allowed to select another card.
- A beneficiary who moves away from the service area covered by the card in which s/he was enrolled may disenroll and choose another card.
- A beneficiary who moves into or out of a nursing home would likewise be permitted to join a new Medicare-approved prescription drug discount card.

## **18. What if eligibility for a Medicare-approved drug discount card is denied?**

If CMS determines that the beneficiary is not eligible, the beneficiary will receive a denial notice from the card sponsor.

A beneficiary may appeal by requesting a reconsideration that will be reviewed by an independent review entity, called the Medicare-Approved Drug Discount Card Reconsideration Contractor. The denial form will contain a toll-free number to call to request reconsideration. The reconsideration decision is binding; there is no appeal beyond the reconsideration.

## **19. Is there any help with the costs of the Medicare-approved drug discount card for low-income Medicare beneficiaries?**

A special program, called Transitional Assistance, provides help for low-income Medicare beneficiaries.

## **20. What are the benefits for beneficiaries who are eligible for Transitional Assistance?**

Qualified low-income beneficiaries do not pay for a Medicare-approved drug discount card. Any annual enrollment fee for the card is paid by the federal government.

The Medicare-approved drug discount card has a \$600 credit that can be used toward the purchase of prescription drugs at pharmacies in the network of the drug card plan selected by the low-income beneficiaries.

Low-income beneficiaries may also use the \$600 credit to buy almost all covered prescription medications sold in the pharmacy, even drugs that are not on the card formulary. If, however, the drug purchased is not on the card's formulary, the beneficiaries will be charged retail price and that sum will be deducted from the \$600 credit after the beneficiaries pay the 5 percent or 10 percent co-payment.

Once the \$600 credit has been used, the card works like it does for beneficiaries who are not low-income, possibly providing negotiated prices on the purchase of prescription drugs on the card sponsor's formulary.

Low-income beneficiaries may "roll over" any of the \$600 credit that remains at the end of 2004 to use in 2005 (and in 2006).

They will, however, lose any remaining credit if they voluntarily disenroll from their Medicare-approved drug discount card.

- There are limited exceptions to this rule. beneficiaries can switch cards and "roll over" any remaining credit if:
  - they change cards for 2005 during the Annual Coordinated Election Period for 2005 (November 15-December 31, 2004), or if
  - they move out of the service area of the card, or if
  - they move into or out of a nursing facility, or if
  - they join or leave a Medicare Advantage (formerly Medicare+Choice) plan, or if
  - the card sponsor stops offering the card.

## **21. Do low-income beneficiaries have to pay anything to get a prescription filled with a discount card?**

Low-income beneficiaries are required to make copayments for drugs purchased with the \$600 credit that comes with the Medicare-approved drug discount card.

- If the beneficiaries' income is 100 percent of the federal poverty level or lower, then the beneficiaries will have a 5 percent copayment for each prescription drug on the card's formulary that they purchase.
- If the beneficiaries' income is over 100 percent but no more than 135 percent of the federal poverty level, then the beneficiaries will have a 10 percent copayment when purchasing drugs on the card's formulary with the \$600 credit.

The \$600 credit may not be used to buy drugs that are excluded by law from the drugs allowed to be in a card sponsor's formulary. Additionally, low-income beneficiaries may not use the \$600 credit to buy over-the-counter medications, even if the card sponsor offers discounted prices on them.

## **22. Who is eligible for the low-income benefit?**

Medicare beneficiaries are income-eligible for the low-income benefit if:

- they are Qualified Medicare Beneficiaries (QMB), Specified Low Income Beneficiaries (SLMB), or Qualified Individuals (QI-1); or if
- their adjusted gross income is no greater than 135 percent of the federal poverty level.

## **23. Can Medicare beneficiaries who are Medically Needy individuals in a Medicaid income spend-down period get a Medicare-approved drug discount card and the low-income benefit?**

Yes. Because Medically Needy individuals who are spending their income down to the medically needy income level are not currently entitled to Medicaid payment for outpatient prescription drugs, these individuals are eligible to enroll in a Medicare-approved drug discount card. As long as the beneficiaries are not entitled to outpatient prescription drug coverage on the day of filing the application, they can be found eligible for a Medicare-approved drug discount card. Therefore, timing is critical for such individuals to get the \$600 credit. It is important to note, however, that receipt of the \$600 credit may delay Medically Needy individuals from becoming eligible for outpatient prescription drug coverage through Medicaid.

## **24. Can Medicare beneficiaries who are Medically Needy individuals in a Medicaid income spend-down period apply any portion of the money spent on prescription drugs through a Medicare-approved drug discount card towards their Medicaid income spend-down?**

Beneficiaries can use the 5 percent or 10 percent copayment made towards their Medicaid spend-down because this is an out-of-pocket cost. CMS has stated that neither the remaining cost of a prescription drug purchased with the \$600 credit nor the \$600 used to pay for such purchases can be applied to meet a Medicaid income spend-down.

## **25. Will receipt of the low-income benefit affect eligibility for any other government entitlement program?**

No. The law clearly states that receipt of the low-income benefit cannot be counted in deciding eligibility for other entitlement programs, such as food stamps, housing assistance, etc.

## **26. Are beneficiaries' eligibility for the low-income benefit dependent upon the assets that the beneficiaries hold?**

No. Financial eligibility is based solely on income. Assets are not counted.

## **27. How long does eligibility for the low-income benefit last?**

Once found eligible for the low-income benefit, beneficiaries remain eligible for the entire duration of the Medicare-approved drug discount card program, even if they later become entitled to Medicaid coverage for outpatient prescription drugs.

There is only one exception to this rule. Generally, beneficiaries who voluntarily disenroll from their card lose the low-income benefit and must re-apply for a new card and the \$600 credit during the Annual Coordinated Election Period for 2005. (The Annual Coordinated Election Period for 2005 takes place from November 15-December 31, 2004.)

Beneficiaries can roll over any balance of their \$600 credit only if they switch to another card:

- during the Annual Coordinated Election Period for 2005 (Nov. 15-Dec. 31, 2004),
- because of a move away from the service area of their discount card,
- because of a move into or out of a nursing facility,
- because they joined or left a Medicare Advantage (formerly Medicare+Choice) plan,
- because the card sponsor stops offering the card.

## **28. How do beneficiaries apply for the low-income benefit?**

Beneficiaries can use either an application form available from the selected card sponsor, or a standardized form downloadable from ([www.medicare.gov](http://www.medicare.gov)) or from a State Health Insurance Assistance Program (SHIP), that can be submitted to any card sponsor. The application is a combined application for enrollment in the Medicare-approved drug discount card they have selected and for the low-income benefit. Beneficiaries complete the form and self-certify the accuracy of the information by signing the application. The application is mailed, or at the option of the card sponsor, faxed to the card sponsor.

There are two types of application forms for the Medicare-approved drug discount card. One for beneficiaries who want to enroll in a discount card. The other is for beneficiaries who want to enroll in a discount card and apply for the low-income benefit. It is up to beneficiaries to complete the appropriate forms to apply for both card enrollment and the low-income benefit.

## **29. When can beneficiaries apply for the low-income benefit?**

Beneficiaries can apply for the low-income benefit when they first apply for enrollment in a Medicare-approved drug discount card. If their financial circumstances change, such as they lose their Medicaid coverage for outpatient prescription drugs, or their income drops, making them eligible for the low-income benefit, they can apply at a later date. However, if the card sponsor receives the application in or after April 2005, the \$600 credit will be pro-rated. If the sponsor receives the application from:

- April-June 2005, beneficiaries will receive a credit of \$450.
- July-September 2005, beneficiaries will receive a credit of \$300.
- October-December 2005, beneficiaries will receive a credit of \$150.

### **30. Who decides if beneficiaries are eligible for the low-income benefit?**

The card sponsor transmits the application information to CMS, which verifies eligibility, with HHS, state Medicaid, and IRS databases. CMS informs the card sponsor if beneficiaries are eligible, and the card sponsor then mails the card with the credit to the beneficiaries.

### **31. What happens when beneficiaries are found not to be eligible for the low-income benefit?**

If CMS finds that beneficiaries are not eligible for the low-income benefit, CMS informs the card sponsor, which must then offer the beneficiaries an opportunity to submit a new application for the selected Medicare-approved drug discount card or to apply for another card. This new application process allows the beneficiaries to decide whether or not they want to pay any enrollment fee that would have been waived had they been found eligible for the low-income benefit.

### **32. Can beneficiaries appeal a decision that they are not eligible for the low-income benefit?**

Yes. If CMS determines that the beneficiaries are not eligible, the beneficiaries will receive a denial notice from the card sponsor.

Beneficiaries may appeal by requesting a reconsideration that will be reviewed by an independent review entity, called the Medicare Prescription Drug Discount Card Reconsideration Contractor. The denial notice contains the "800" number to be called to file the reconsideration. Reconsideration decisions are final and binding; there are no further appeals permitted.



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